

**Summary of the Economic Growth and Tax Relief Reconciliation Act of 2001**  
(Passed by House of Representatives and Senate on May 26, 2001)

**INDIVIDUAL INCOME TAX RATES**

| Provision   | Present Law | 2001   | 2002 | 2003 | 2004  | 2005 | 2006                      | 2007                      | 2008   | 2009                           | 2010 |
|---|-------------|--|------|------|-------|------|---------------------------|---------------------------|--|--------------------------------|------|
| <b>Create 10% Bracket</b>                                 | NA          | 10% applied to first \$6,000 of taxable income for singles and \$12,000 for married couples filing jointly |      |      |       |      |                           |                           | Raise bracket thresholds to \$7,000 and \$14,000 | Index thresholds for inflation |      |
| <b>Marginal Rate Reductions</b>                           | 39.6%       | 38.6%  |      |      | 37.6% |      | 35%                       |                           |  |                                |      |
|   | 36%         | 35%  |      |      | 34%   |      | 33%                       |                           |  |                                |      |
|   | 31%         | 30%  |      |      | 29%   |      | 28%                       |                           |  |                                |      |
|   | 28%         | 27%  |      |      | 26%   |      | 25%                       |                           |  |                                |      |
|   | 15%         | 15%  |      |      |       |      |                           |                           |  |                                |      |
| <b>Repeal "Pease" (Limitation on Itemized Deductions)</b> |             |  |      |      |       |      | Limitation Reduced by 1/3 | Limitation Reduced by 2/3 | Repeal   |                                |      |
| <b>Repeal "PEP" (Personal Exemption Phaseout)</b>         |             |  |      |      |       |      | Phaseout Reduced by 1/3   | Phaseout Reduced by 2/3   | Repeal   |                                |      |

**Individual Income Tax Rates (Similar to H.R. 3)**

- Provides benefit of a new 10 percent rate for first \$6,000 of taxable income for singles, \$10,000 for single parents and \$12,000 for married couples in 2001 through a lump-sum refund of up to \$300 for single taxpayers, up to \$500 for single parents, and up to \$600 for married taxpayers.
- Lowers the top tax rate from 39.6 percent to 35 percent and lowers other tax rates to create a new rate structure of: 10 percent, 15 percent, 25 percent, 28 percent, 33 percent, and 35 percent.
- Repeals personal exemption phaseout (PEP) and limit on itemized deductions (Pease) over 5 years, beginning in 2006.

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## MARRIAGE PENALTY RELIEF

| Provision  | Present Law   | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|---|------|------|------|------|------|------|------|------|------|------|
| <b>Increase Standard Deduction for Married Couples to Twice the Deduction for Singles</b>                | <i>Standard Deduction for Married Couples as a Percent of the Standard Deduction for Singles:</i>       |      |      |      |      |      |      |      |      |      |      |
|  | 167%  |      |      |      |      | 174% | 184% | 187% | 190% |      | 200% |
| <b>Increase Size of 15% Bracket for Married Couples to Twice the Size of the 15% Bracket for Singles</b> | <i>Size of 15% Tax Bracket for Married Couples as a Percent of the Size of the Bracket for Singles:</i> |      |      |      |      |      |      |      |      |      |      |
|  | 167%  |      |      |      |      | 180% | 187% | 193% |      |      | 200% |

### Marriage Penalty Relief (Similar to H.R. 6)

- Increases standard deduction for married couples to twice the standard deduction for singles. The increase is phased in over 5 years beginning in 2005.
- Increases the width of the 15 percent bracket for married couples to twice the width of the 15% bracket for singles. The increase is phased in over 4 years beginning in 2005.

## CHILD CREDIT EXPANSION

| Provision                    | Present Law | 2001 | 2002  | 2003 | 2004 | 2005 | 2006  | 2007 | 2008 | 2009  | 2010    |
|------------------------------|-------------|------|-------|------|------|------|-------|------|------|-------|---------|
| <b>Increase Child Credit</b> | \$500       |      | \$600 |      |      |      | \$700 |      |      | \$800 | \$1,000 |

### Child Credit Expansion (Similar to H.R. 6)

- Doubles the child credit from \$500 to \$1,000. The increase is phased in over 10 years beginning in 2001.
- Makes child credit available to more low-income families by allowing more families to claim the credit even if they have no income tax liability.

## PENSION REFORM

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| Provision                 | Present Law | 2001      | 2002    | 2003 | 2004 | 2005    | 2006 | 2007 | 2008    | 2009                        | 2010 |
|---------------------------|-------------|-----------|---------|------|------|---------|------|------|---------|-----------------------------|------|
| <b>Increase IRA limit</b> | \$2,000     | No Change | \$3,000 |      |      | \$4,000 |      |      | \$5,000 | Index \$5,000 for Inflation |      |

### Pension and Retirement Savings (Similar to H.R. 10)

- Increases Individual Retirement Account (IRA) contributions from \$2,000 to \$5,000.
- Increases 401(k) and other tax-deferred contribution limits from \$10,500 to \$15,000.
- Provides "catch-up" contributions for people age 50 and older.
- Provides over 50 other improvements for private pension plans.

### ALTERNATIVE MINIMUM TAX REFORM

| Provision                            | Present Law                                 | 2001   | 2002 | 2003 | 2004 | 2005   | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------------------------|---|--|------|------|------|--|------|------|------|------|------|
| <b>Increase AMT Exemption Amount</b> | \$33,750 for Single<br>\$45,000 for Married | \$35,750 Single<br>\$49,000 Married Filing Jointly |      |      |      | \$33,750 Single<br>\$45,000 Married Filing Jointly |      |      |      |      |      |

### Alternative Minimum Tax Relief

- Temporarily increases exemption amount by \$2,000 for single individuals and \$4,000 for couples.

### DEATH TAX

| Provision | Present Law | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------|-------------|------|------|------|------|------|------|------|------|------|------|
|-----------|-------------|------|------|------|------|------|------|------|------|------|------|

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|  |           |  |             |               |     |             |     |               |        |
|--|-----------|--|-------------|---------------|-----|-------------|-----|---------------|--------|
| <b>Top Rate</b>                            | 55%       |  | 50%         | 49%           | 48% | 47%         | 46% | 45%           | Repeal |
| <b>Unified Credit Exemption Equivalent</b> | \$675,000 |  | \$1 million | \$1.5 Million |     | \$2 Million |     | \$3.5 Million | Repeal |

**Death Tax Repeal (Similar to H.R. 8)**

- Repeals the death tax in 2010.
- Prior to repeal, reduces top rate from 55 percent to 45 percent and increases unified credit exemption amount from \$675,000 to \$3.5 million.
- Expands the availability of the current law death tax exclusion for conservation easements.

**Education Incentives**

- Increases annual contribution limits to education savings accounts from \$500 to \$2,000 and allows tax-free withdrawals for qualified K-12 public and private education expenses.
- Temporary above-the-line deduction for qualified higher education expenses.
- Allows tax-free distributions from Qualified Tuition Plans and permits private institutions to offer such plans.
- Extends exclusion for employer-provided educational assistance and extends the exclusion to graduate level courses.

**Adoption Tax Credit (Similar to H.R. 622)**

- Makes permanent the tax credit for the adoptions of non-special needs child (the credit for special needs adoptions is already permanent).
- Increases the credit from \$6,000 to \$10,000 for special needs adoptions and from \$5,000 to \$10,000 for non-special needs adoptions.
- Eliminates the expense reporting requirement for special needs adoptions.
- Increases the income level at which the credit begins to phase out from \$75,000 to \$150,000.